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ACTION: Amembassy LISBON PRIORITY
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SUBJECT: CivAir Negotiations With Italy

REFERENCE: State 13792

LISBON FOR MEADOWS

1. As indicated reftel, objectives for Meadows/Watson informal talks with Santini Feb. 3 are:

(a) to explore whether Italian position on multiple designation and on all-cargo services has any flexibility,

(b) to see whether progress might be made on other pending issues if negotiations were resumed, and

(c) to try to keep Italians from taking unilateral action as threatened in Santini letter of January 11.

In light informal nature of talks, US Reps not authorized offer any new proposals on any of above pending issues. Department feels that benefits of informal meetings are essentially to maintain dialogue with Italians and obtain information that may be useful in planning future steps. Points and guidelines that US Reps should follow in informal talks are the following:

(2)

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2. Multiple designation: Santini should be informed that USG was surprised at rigid position taken on multiple designation in Santini January 11 letter, which is clearly unacceptable to USG. Without some agreement on multiple designation, no over-all agreement is possible. Santini is already aware of USG domestic reasons for its multiple designation position, just as USG is aware of Italian domestic reasons for GOI multiple designation position. If Italian position were not as inflexible as letter indicates that it is, the two delegations, in resumption of talks, might consider whether there is any formulation that could give Italians some assurances and yet meet requirements of USG. FYI it might be necessary because of Italian and other, e.g., TransPacific, developments, for USG in coming weeks, to reexamine present policies regarding multiple designation. If such study takes place, some new insights into solution of Italian problem might or might not be found. However, it would be tactically unwise and might mislead Santini to indicate to him that we are considering fundamental reexamination of USG multiple designation policy. Moreover, we cannot ignore that CAB, DOT, and US airline industry alarmed over danger of erosion of USG multiple designation policy. END FYI

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3. Santini should be informed that his position on all-cargo services stated in Jan. 11 letter is unacceptable to US for reasons explained in December consultations. USG, however, believes useful negotiations could be continued on this item if Italy does not insist on position against having all-cargo services come under agreement in long run.

4. USG would not object to resumption of talks covering even multiple designation issue if Italy understands that this does not imply US acceptance of Italian position. Alternatively, USG willing resume conversations which would set aside problem of multiple designation and would deal with other unresolved problems. Would be useful have some reaction from Santini on resuming negotiations under either alternative. The text of the agreement (including customs, rates, and airport charges), all-cargo services, and to some extent, routes, are items that could be discussed.

5. Santini should be informed USG regrets suggestion in last para of Jan. 11 letter that if agreement cannot be reached, Italy might be compelled to take unilateral action to limit US carrier services. US Reps should make clear that if GOI were to do this, USG would have to regard

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it as serious action which could lead to the taking of compensatory measures. Results would be unfortunate and disadvantageous to both countries.

6. Since US industry will not be represented at informal meetings, participation should also be limited to Government officials on Italian side.

END

ROGERS